



Annual Report

2012-2013



An overview of the programs and services
of the Kentucky Labor Cabinet



Governor
Steven L. Beshear



Secretary
Larry L. Roberts



KENTUCKY LABOR CABINET

PROGRAM INFORMATION AND ANNUAL REPORT

Fiscal Year 2012-2013



KENTUCKY LABOR CABINET
OFFICE OF THE SECRETARY
DEPARTMENT OF WORKPLACE STANDARDS
1047 U.S. HWY 127 SOUTH
FRANKFORT, KENTUCKY 40601
502-564-3070
www.labor.ky.gov

KENTUCKY LABOR CABINET
DEPARTMENT OF WORKERS' CLAIMS
657 CHAMBERLIN LANE
FRANKFORT, KENTUCKY 40601
502-564-5550
www.labor.ky.gov/workersclaims/

GENERAL ADMINISTRATION AND PROGRAM SUPPORT SERVICES
(GAPS)
CAPITAL PLAZA TOWER
500 MERO STREET
FRANKFORT, KENTUCKY 40601
502-564-5525

OFFICE OF INSPECTOR GENERAL
SUITE 61 WILKINSON BLVD.
FRANKFORT, KENTUCKY 40601
502-564-1985





PUBLICATIONS OF THE LABOR CABINET

OFFICE OF THE SECRETARY

The Kentucky Labor Cabinet Annual Report
Cabinet Newsletter – *Labor Works*

DIVISION OF EMPLOYMENT STANDARDS, APPRENTICESHIP AND MEDIATION

Kentucky Wage and Hour Law (Poster)
Kentucky Child Labor Laws (Poster)
Kentucky Wage Discrimination Based on Sex (Poster)

OCCUPATIONAL SAFETY AND HEALTH PROGRAM (COMPLIANCE, EDUCATION & TRAINING)

- * Bloodborne Pathogens
- * Electrical Safety
- * General Industry Checklist
- * Hazard Communication
- Kentucky Labor Cabinet Brochure
- Kentucky Census of Fatal Occupational Injuries
- Kentucky Occupational Injuries and Illnesses Survey, 2011
- * Kentucky Occupational Safety and Health Facts and Services
- * Kentucky Occupational Safety and Health Standards for General Industry
- * Kentucky Occupational Safety and Health Standards for Construction Industry
- * Kentucky Supplement to Construction Standards
- * Kentucky Supplement to General Industry Standards
- Kentucky Survey of Occupational Injuries and Illnesses
- * Lockout/Tagout
- * Machine Safeguarding
- * Mechanical Power Press Safety
- Noise and Hearing Conservation
- * Personal Protective Equipment for General Industry
- * Powered Industrial Trucks
- * Requirements for Means of Egress and Fire Protection
- Respiratory Protection
- Safety and Health Protection On the Job (Poster)
- Safety Partners Program Brochure
- Tuberculosis Guidelines



Voluntary Protection Partnership of Kentucky (Brochure)

Voluntary Protection Partnership of Kentucky (Packet)

* Welding, Cutting and Brazing

* Your Back and Your Job

* *Publications available at Labor Cabinet website*

Publications may be obtained by writing the appropriate division at the following address:

Kentucky Labor Cabinet
1047 U. S. Highway 127 South, Ste. 4
Frankfort, Kentucky 40601
<http://www.labor.ky.gov>

THE DEPARTMENT OF WORKERS' CLAIMS

Acute Low Back Problems in Adults

2011 Kentucky Workers' Compensation Guide Book

Benefit Schedules

2011 Workers' Compensation Guidebook

Shortcut Formula for Past Due Interest Calculator

PPD Calculator

Medical Index Numbers (A thru Z)

Medical Index Numbers by Specialty

Discount Rate Orders

Lump Sum Settlement Discount Tables

New HIPPA Regulation and Disclosure Form

U.S. Supreme Court Decision "Any Willing Provider"

Workers' Compensation Coverage for Healthcare Workers

2005 Vocational Rehabilitation Poster

2006 Treatment Guidelines Subcommittee Reports

Publications may be obtained by writing the appropriate division at the following address:

Department of Workers' Claims
657 Chamberlin Lane
Frankfort, Kentucky 40601
<http://www.labor.ky.gov/workersclaims>



PRINCIPAL OFFICERS OF THE LABOR CABINET

July 1, 2012 through June 30, 2013

Cabinet Secretary	Larry L. Roberts
Deputy Secretary	Rocky Comito
General Counsel	E.H. "Chip" Smith IV
Director, Division of Management Services	Holly McCoy Johnson (acting)
Commissioner, Department of Workplace Standards	Anthony Russell
Deputy Commissioner	Mike Donta
Director, Division of Occupational Safety and Health Compliance	Evan Satterwhite
Director, Division of Occupational Safety and Health Education and Training	Kimberlee Perry
Director, Division of Workers' Compensation Funds	Robert Whittaker
Commissioner, Department of Workers' Claims	Dwight Lovan
Deputy Commissioner, Department of Workers' Claims	Wayne Logan
General Counsel, Department of Workers' Claims	Charles Lowther
Director, Division of Claims Processing, Department of Workers' Claims	Ingrid Bowling
Director, Division of Security and Compliance, Department of Workers' Claims	Scott Gasser
Director, Division of Information and Research, Department of Workers' Claims	Frances Davis
Director, Division of Ombudsman and Workers' Compensation Specialist Services, Department of Workers' Claims	Lucretia Johnson
Chair, Workers' Compensation Board	Michael W. Alvey
Chief Administrative Law Judge, Department of Workers' Claims	James L. Overfield
Executive Director, Occupational Safety and Health Review Commission	Eddie Jacobs
Chair, Occupational Safety and Health Review Commission	Faye Liebermann
Executive Director, Workers' Compensation Funding Commission	Bill Riggs
Executive Director, Office of General Administration Program Support	Holly McCoy-Johnson
Inspector General, Office of Inspector General for Shared Services	Alan Wagers
Chair, Workers' Compensation Nominating Committee	Grover Arnett



MISSION STATEMENT

The Labor Cabinet's mission is to administer Kentucky's workplace standards and workers compensation laws through education, mediation, adjudication and enforcement, in order to promote safe, healthful and quality working environments for employees and employers; to foster cooperative relationships between labor and management; and to promote fair compensation.



VISION

- To be a fair, aggressive, national leader in ensuring safe, equitable workplaces and in promoting cooperative labor-management relationships.
- To advocate quality working environments and fair compensation in the workplace.
- To have a highly-skilled, trained, and committed workforce, equipped with the latest technology to ensure the responsible administration and prompt delivery of Labor Cabinet services.



CORE VALUES

Integrity: To perform our duties ethically, impartially, professionally and consistently.

Accountability: Being ethically, fiscally, and professionally responsible in accordance with statutory and regulatory parameters.

Service: To utilize our resources efficiently and competently in order to meet the needs of those we serve in a respectful and courteous manner.

Innovative: To be adaptable and creative in our pursuit of continuous improvement in the delivery of services.

Commitment: Being dedicated to performing our duties to the best of our abilities while striving **for continuous improvement to fulfill the Cabinet's mission.**

Transparency: To maintain public confidence and trust.





BOARDS AND COMMISSIONS OF THE LABOR CABINET

KENTUCKY STATE LABOR RELATIONS BOARD

Brian C. O'Neill Chair

Mollie Bowers

Barry Carter

PREVAILING WAGE REVIEW BOARD

William D. Hacker

William G. Finn

KENTUCKY STATE APPRENTICESHIP AND TRAINING COUNCIL

EMPLOYEE

Howard L. Dawes

Kyle T. Henderson

Dan Kehl

Anthony S. Herbert

EMPLOYER

Camilla Kay Moss

Kenneth Sheridan

Kristi Ann Payne

Angie College

AT LARGE

Frank O. McAfee

EX-OFFICIO

Anthony Russell, Commissioner, Department of Workplace Standards

Dr. Jay Box, Chancellor, Community and Technical College System

Beth Brinley, Commissioner, Department of Workforce Investment

OCCUPATIONAL SAFETY AND HEALTH STANDARDS BOARD

INDUSTRY

Van Mitchell

Vaughn Plummer, PHD

L. Diane Snow

SAFETY & HEALTH

Donna M. Ringo

David Thomas Hart

Michael E. Neason



BOARDS AND COMMISSIONS OF THE LABOR CABINET

OCCUPATIONAL SAFETY AND HEALTH STANDARDS BOARD (Cont.)

LABOR

Donna S. Haynes
Ron L. Lynch
Steven M. Stone

AGRICULTURE

Randy M. Ringo
Michelle Barnett
Patsy A. Poore

Larry L. Roberts, *Chair*; Secretary Labor Cabinet

KENTUCKY OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Employers
Cecil Green

Occupational Safety and Health Professionals
Joe F. Childers

Labor & Employees
Faye Lieberman, *Chair*

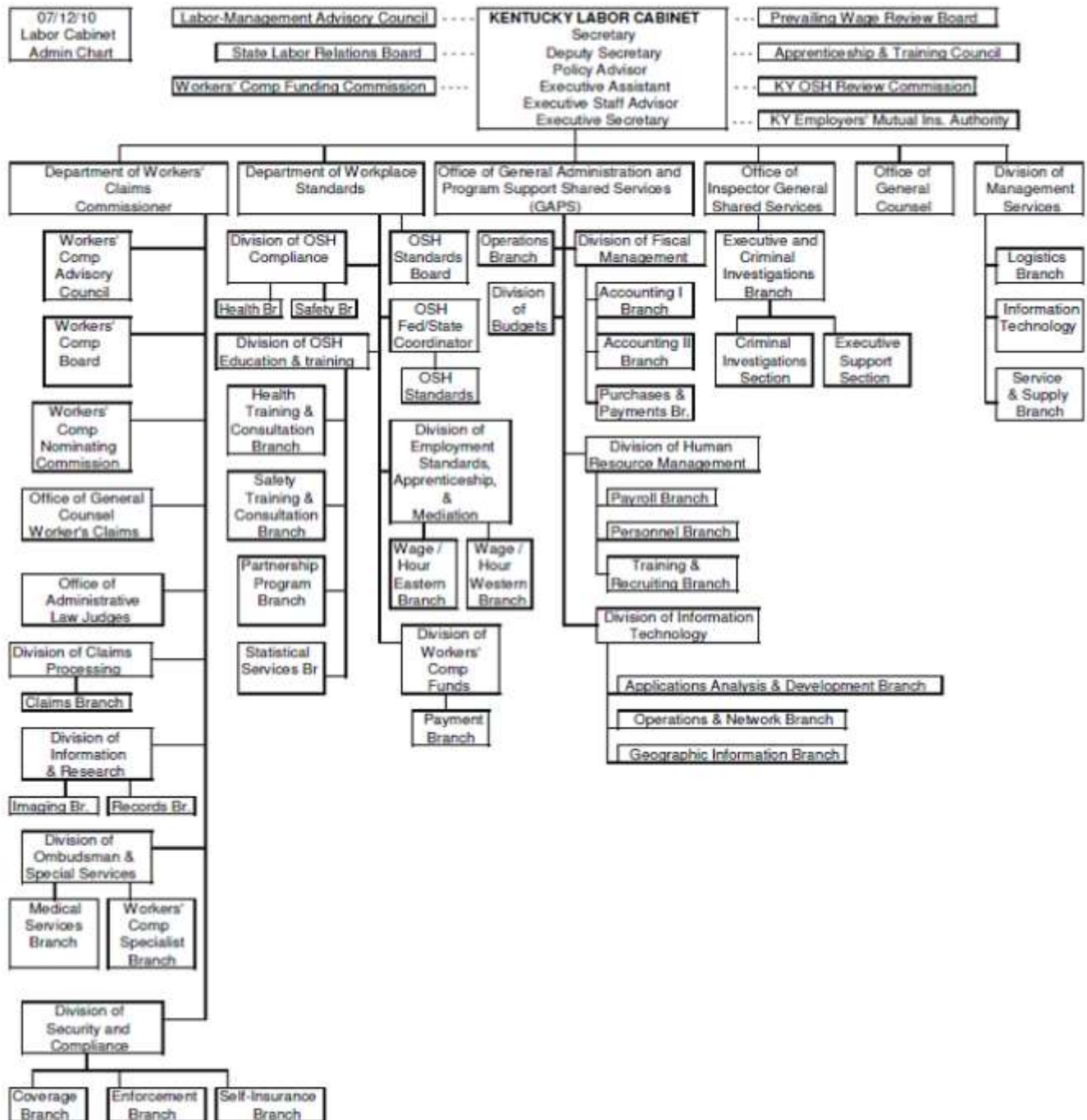
WORKERS' COMPENSATION NOMINATING COMMISSION

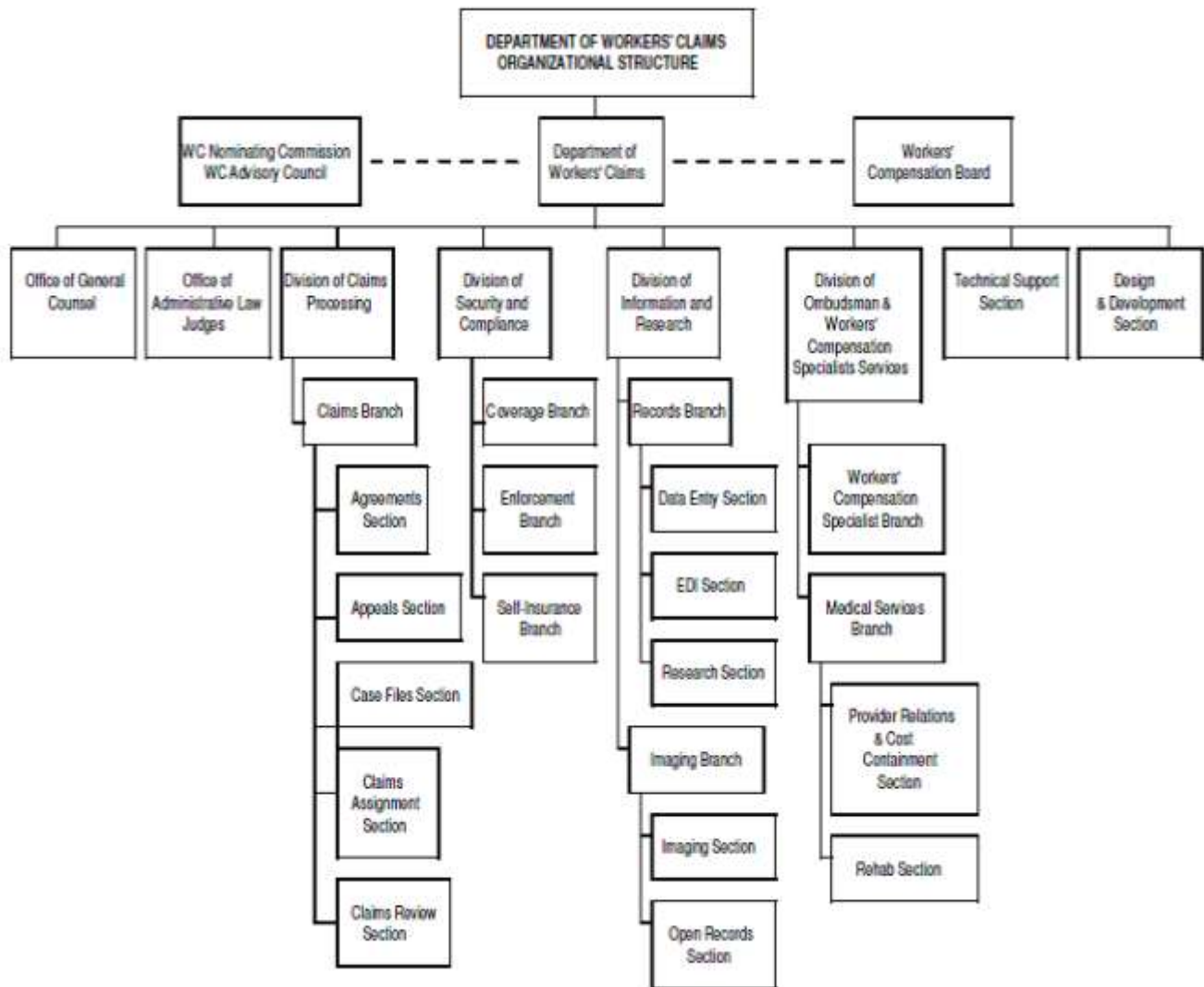
Honorable William Grover Arnett
Brockton L. Edwards
Charles E. McCoy
Roger Riggs
Honorable John Wathan Morgan
Sherri P. Brown
Robert W. Carlisle





LABOR CABINET ORGANIZATIONAL STRUCTURE







Larry Roberts
Secretary
Kentucky Labor Cabinet



Rocky Comito
Deputy Secretary
Kentucky Labor Cabinet



Anthony Russell
Commissioner
Department of Workplace Standards



Dwight Lovan
Commissioner
Department of Workers' Claims



CABINET HISTORICAL OVERVIEW

The Kentucky Labor Cabinet can trace its roots to 1936, when the Department of Industrial Relations brought together the Workman's Compensation Board, the Industrial Safety Board, and the Apprenticeship and Training Council under one agency (Governmental Reorganization Act, article XV). In 1962, the Department of Agriculture, Labor, and Statistics became the Department of Agriculture, and the Department of Labor was created to replace the Department of Industrial Relations. Then, in 1983, as a result of Executive Order 83-65, and its subsequent codification by the 1984 General Assembly, Kentucky officially established a Labor Cabinet.

In December 2003, Governor Ernie Fletcher combined the Labor Cabinet, the Natural Resources and Environmental Protection Cabinet, and the Public Protection Cabinet into one large cabinet called the Environmental and Public Protection Cabinet (EPPC). The Labor Cabinet was given departmental status under this reorganization. In 2009, by Executive Order 2009-537, the Department of Labor was again reorganized to cabinet status and was affirmed in 2010 by HB393.

As outlined in KRS 336.040, the functions and duties of the Labor Cabinet include insuring the safety of workers, administering the Worker's Compensation Board, promoting and enforcing laws relating to unfair practice, and investigating causes of accidental injuries and occupational causes.

The Labor Cabinet is comprised of the Office of the Secretary, the Office of General Counsel, the **Department of Workers' Claims and the Department of Workplace Standards. In addition, the Labor -Management Advisory Council, the State Labor Relations Board, the Workers' Compensation Funding Commission, the Prevailing Wage Review Board, the Apprenticeship and Training Council, the Kentucky Occupational Safety and Health Review Commission and the Kentucky Employers' Mutual Insurance Authority** are affixed to the Cabinet for administrative purposes only. The Office of Inspector General (OIG) and the Office of General Administration and Program Support (GAPS) are also affixed to the Cabinet for administrative purposes and as a support arm for the Labor Cabinet, the Energy and Environment Cabinet and the Public Protection Cabinet. The Secretary of the Labor Cabinet serves as the appointing authority for both the OIG and GAPS. The Office of the Secretary also serves to coordinate and promote positive and progressive working relationships **between labor and industry, while simultaneously enforcing Kentucky's labor laws. The Office of the Secretary's office is staffed by five (5) employees who carry out day-to-day administrative functions for the Office and the Cabinet-at-large.**



PROGRAM AREA: OFFICE OF THE SECRETARY

DESCRIPTION: The Secretary of the Labor Cabinet serves as the chief executive officer and the appointing authority for the Cabinet. However, the Cabinet is unique in that a separate appointing **authority exists for the Department of Workers' Claims. Under the authority of KRS 342, a Commissioner is appointed to head the agency, due to specific legal requirements associated with Kentucky's Workers' Compensation Program and the Workers' Compensation Board. He is also the Chairman of the Occupational Safety and Health Standards Board.**

The primary responsibility of the Office of the Secretary is to ensure that divisions and offices falling under the auspices of the Cabinet work within the jurisdiction of Kentucky labor law to **ensure equitable and fair treatment of the Commonwealth's 2,113,000 wage earning employees.** Specifically, the Cabinet, according to regulation, shall have the duties, responsibilities, power, and authority relating to labor, wage and hour issues, occupational safety and health of employees, **child labor, apprenticeship, mediation services, workers' compensation insurance, and all other matters under the jurisdiction of the Labor Cabinet.**

FUNDING SOURCE: Funding for this appropriation unit is derived from assessments against **workers' compensation insurance premiums (or simulated premiums for self-insurance paid by all Kentucky employers pursuant to KRS 342.122).** All assessments are collected, managed, invested, **and disbursed by the Kentucky Workers' Compensation Funding Commission pursuant to KRS 342.122; KRS 342.1223; and KRS 342.1242.**

APPLICABLE STATUTES: KRS 336.015; KRS 342.



PROGRAM AREA: THE DIVISION OF MANAGEMENT SERVICES

DESCRIPTION: The Division of Management Services is the support arm for the Labor Cabinet, and it is responsible, in accordance with all applicable statutes, regulations, and policies for all fiscal functions of the Cabinet, including budgeting and accounts receivables and payables the processing of all personnel documents and time and attendance records for payroll purposes; employee benefits; the information technology services for the Cabinet-at-large; all postal services for the Cabinet and the routine maintenance of buildings and grounds. This division serves as the liaison between the Office of General Administration and Program Support Services (GAPS) and the Cabinet. The Division of Management Services is currently staffed by 28 highly experienced full-time personnel.

FUNDING SOURCE: Funding for the Division of Management Services is derived from assessments **against workers' compensation insurance premiums (or simulated premiums for self-insurance** paid by all Kentucky employers pursuant to KRS 342.122). All assessments are collected, managed, **invested, and disbursed by the Kentucky Workers' Compensation Funding Commission pursuant to** KRS 342.122; KRS 342.1223; and KRS 342.1242.

APPLICABLE STATUTES: KRS 336.122

PROGRAM STATUS: The Division of Management Services is comprised of the Logistics Branch, **the Information Technology Services Branch, and the Service and Supply Branch. The Director's** staff processes all personnel documents for the Cabinet. The Office of General Administrative Program Support (GAPS) processes payroll for the Cabinet and moves other completed documents for fiscal processing through the procurement system.



PROGRAM AREA: OFFICE OF GENERAL COUNSEL

DESCRIPTION: The Office of General Counsel provides the Secretary and other executive officers with expert legal representation and assistance for enforcement of KRS 67C, 207, 337, 338, 339, 342, 343, and 345. The Office of General Counsel is currently staffed by 11 personnel, seven (7) are attorneys.

FUNDING SOURCE: Funding for the office is derived from assessments against workers' compensation insurance premiums (or simulated premiums for self-insurance paid by all Kentucky employers pursuant to KRS 342.122). All assessments are collected, managed, invested, and disbursed by the **Kentucky Workers' Compensation Funding Commission pursuant to KRS 342.122; KRS 342.1223; and KRS 342.1242.**

APPLICABLE STATUTES: KRS 336. The mandate of the Kentucky Labor Cabinet under the **Kentucky Revised Statutes (hereinafter "KRS") 336 et seq. is to protect the working women and men** of Kentucky and to promote harmonious industrial relations. The Office of the General Counsel is the legal arm of the Cabinet and is responsible for enforcing KRS 207 (prohibition of discrimination based on disability or the human immunodeficiency virus); KRS 337 (wage and hour, prevailing wage and prohibition of sex discrimination), KRS 338 (occupational safety and health), KRS 339 (child labor), KRS 342 (the special fund), 343 (The Apprenticeship and Training Program), KRS 67C.400 to 418 (collective bargaining for police officers) and KRS 345 (collective bargaining for firefighters).

PROGRAM STATUS: The Office of General Counsel (OGC) prosecutes wage and hour, prevailing wage and occupational safety and health violations. The OGC had a successful year from July 2012 through June 2013. During this time, the office collected \$174,880.90 in wages owed to workers. **The office also filed liens to secure workers' wages totaling \$335,045.93.**

The OGC collected \$1,960,503.13 in contested and delinquent occupational safety and health penalties which was deposited directly into the General Fund for the Commonwealth. Further, the OGC filed 56 occupational safety and health liens for delinquent penalties. The value of these liens total \$1,089,855.00.

The OGC also represented the Division of Workers' Compensation Funds in cases involving special fund and coal fund beneficiaries. Special fund beneficiaries are employees who developed a compensable occupational disease or who had a preexisting disability, disease or condition, and received a subsequent work injury (or for disease, a last injurious exposure) prior to December 12, 1996. **Beneficiaries of the coal workers' pneumoconiosis fund are Kentucky coal workers with a compensable form of coal workers' pneumoconiosis and a last exposure to occupational coal dust after December 12, 1996.**



PROGRAM AREA: THE DEPARTMENT OF WORKPLACE STANDARDS

DESCRIPTION: The Commissioner's Office serves as the oversight unit for all programs and functions assigned to the Department of Workplace Standards. The Department is comprised of the Divisions of Occupational Safety and Health Compliance (OSH); the Federal-State Coordinator's office; the Division of Employment Standards, Apprenticeship and Mediation; the Division of Occupational Safety and Health Education and Training (E&T); and the Division of Workers' Compensation Funds (WCF).

The Department of Workplace Standards has the primary responsibility of enforcing Kentucky's occupational safety and health laws, wage and hour laws, child labor laws, the administration of the Coal Workers' Compensation Funds and the Special Fund, and providing education, training, consultation services, to Kentucky's employers and apprenticeship services.

FUNDING SOURCE: The Department of Workplace Standards receives funding from the General Fund, federal funding received from the U.S. Department of Labor, Occupational Safety and Health Administration and restricted agency dollars garnered through the Workers' Compensation Funding Commission under the authority of KRS 342.

APPLICABLE STATUTES: KRS 67; 336; 337; 338; 339; 342; 343; 345.

PROGRAM STATUS: The Kentucky Labor Cabinet's Department of Workplace Standards operates under the authority of KRS Chapters 336, 337, 338, 339, 342, and 343. These chapters specifically relate to the authority of the Kentucky Labor Cabinet with respect to wages and hours of employment; occupational safety and health; child labor; apprenticeship; education and training; and workers' compensation insurance payments through the Workers' Compensation Special Fund.

Since September 2009, the Hispanic Outreach Program has made great strides in servicing the Commonwealth's growing Latino community. Until the creation of this program, information regarding wage and hour disputes was often withheld from Latino workers due to cultural mores or miscommunications. Our Hispanic liaison has allowed us to communicate with Latino workers and employers. This has resulted in the agency having collected over \$1,800,000 in unpaid wages for Latino workers. Our Hispanic liaison promotes the Labor Cabinet at Latino community events, and this outreach has created an unprecedented interaction, cooperation and trust with the Latino community. Our Hispanic liaison continues to bridge the communication/cultural gap between the Latino community and Occupational Safety and Health.



PROGRAM AREA: THE DIVISION OF EMPLOYMENT STANDARDS,
APPRENTICESHIP, & MEDIATION

DESCRIPTION: The Division of Employment Standards, Apprenticeship and Mediation (Employment Standards) is responsible for enforcing areas of Kentucky labor laws, including minimum wage, overtime, prevailing wage, child labor, wage discrimination based on sex, apprenticeship and training and mediation.

The Apprenticeship program encourages career employers and employees to enter into voluntary agreements of apprenticeship that will equip the apprentice with valuable skills. This program closely monitors apprenticeship programs to assure they are meeting the standards of providing quality training and instruction.

In addition to conducting investigations, the Division has the responsibility of preparing unresolved cases for litigation. Issues involving minimum wage, overtime, unpaid wages, illegal deductions, and remittance of gratuities that are not resolved are subject to administrative review. Case files are prepared for administrative hearings and the investigative staff, in concert with the Office of General Counsel, issues legal documents, such as tentative findings of fact. Investigators are required to work with attorneys, accountants, consultants and other professionals in the course of conducting investigations to ensure the workers of the Commonwealth are protected as provided by regulation.

The Division of Employment Standards, Apprenticeship and Mediation is currently staffed by 21 personnel, 15 of whom are Employment Standards Investigators.

FUNDING SOURCE: The Division of Employment Standards, Apprenticeship, and Mediation is funded entirely from General Fund receipts.

APPLICABLE STATUTES: KRS 67; 336; 337; 339; 343; 345.

PROGRAM STATUS: The Division of Employment Standards, Apprenticeship and Mediation receives in excess of 2,100 complaints a year. Complaints and inspections reveal approximately 1,000 violations annually, which are, in over 95 percent of the cases, corrected by investigative personnel. Violations that are not resolved in the field are processed through an administrative procedure. Civil money penalties for cited violations are assessed, collected and forwarded to the General Fund.

In FY 2012-2013, Employment Standards investigated and closed 2250 wage and hour, prevailing wage and child labor inspections. Back wages in the amount of \$3,767,812.57 were collected, which corrected 1041 violations of Kentucky labor laws. The back wages collected represented a total of 9451 Kentucky employees. Employment Standards assessed/collected \$253,287 in civil money penalties for wage and hour, prevailing wage and child labor violations. The total case backlog as of June 30, 2013 was 452 cases.



During recent years, this division has sustained heavy budget cuts that have critically inhibited the mission of the program as described in regulation. Personnel positions and program funding have been drastically reduced. The personnel assigned to this division now number 21. There are only 15 wage and hour field inspectors to cover the state-at-large.

The Division of Employment Standards, Apprenticeship and Mediation is responsible for promoting and improving relationships between labor and management throughout the Commonwealth. Mediation services to be offered include, but are not limited to, bargaining table mediation, grievance mediation, arbitration work and official card checks in union elections. Additionally, mediation staff members provide administrative assistance to the Labor Management Conference Committee in planning and conducting the Annual Labor Management Conference. The mediation program is non-existent at this time, due to the lack of personnel and funding to respond to requests for mediation services.

REGISTERED APPRENTICESHIP IN KENTUCKY

Registered Apprenticeship is a tried and proven model for training and developing a skilled workforce. Administered by the United States Department of Labor for the past seventy-five years, Registered Apprenticeship is poised for tremendous growth throughout the country in helping to eliminate the skills shortage acknowledged by businesses. Thirty one states and territories, including Kentucky, administer the program within the states with oversight by the US DOL.

In FY13, Kentucky had 132 active programs. One-hundred-three are individual sponsored programs, and twenty-nine are sponsored by Joint Apprenticeship Training Councils. Seven programs were added during FY 13, and thirteen were cancelled due to lack of participation or repeated violations of standards. Kentucky averaged approximately 2100 active apprentices throughout this period.

The program is operating on provisional certification from the U.S. Department of Labor. Required changes to comply with 29 CFR 29 failed to pass the 2013 General Assembly, but will be proposed again in the 2014 session.

Pre-Apprenticeship Opportunities

In the fall of 2012, the Kentucky Labor Cabinet began developing a policy on adult and youth pre-apprenticeship programs in order to create a career pathway to the Registered Apprenticeship programs. In partnership with the Office of Career and Technical Education within the Department of Education, the TRACK (Tech Ready Apprentices for Careers in Kentucky) was developed and is being piloted in 11 Area Technology Centers throughout the state in the fall of 2013. The pilot program is focused initially on Advanced Manufacturing but will include the skilled building and construction trades in early 2014.





In the TRACK program, area businesses will work directly with the Area Technology Centers to develop and choose a curriculum that is focused on the needs of the business entity. The students accepted into this program will complete a block of four courses during their junior and senior years of high school, with the fourth block being a co-op/on-the-**job training in the employers' facility**. Upon successful completion of the program, the student will be awarded a certificate by the employer and through the Kentucky Labor Cabinet as certification of the Pre-Apprenticeship program. They will then be credited with time and competency into the Registered Apprenticeship program of the company as a full time employee.

This will credit the Area Technology Center with a completer in the College and Career ready index and give the student credit in their career pursuit similar to dual college credit.

Similar models are being developed for adult pre-apprenticeship programs with piloting programs anticipated in the spring of 2014.





PROGRAM AREA: THE DIVISION OF OCCUPATIONAL SAFETY AND HEALTH, EDUCATION AND TRAINING (OSH E&T)

DESCRIPTION: The Division of Occupational Safety and Health, Education and Training promotes voluntary compliance with the Kentucky Occupational Safety and Health rules and regulations by providing training, on-site consultations, distribution of technical and informational materials, gathering and monitoring statistical data concerning job injuries and illnesses, providing technical assistance and acting as a liaison between the Cabinet and the Kentucky Occupational Safety and Health Standards Board.

The Division of Occupational Safety and Health, Education and Training, since 1973, has offered a full range of voluntary compliance services, including cost-free on-site consultation, technical assistance, training programs and publications. The partnership and recognition programs include: the Kentucky Voluntary Protection Partnership (VPP), which is similar to the Federal Voluntary Protection Program; the Safety Partnership Program (SPP), that offers long term assistance to **smaller employers who have a history of high injury/illness rates and high workers' compensation costs**; and the Construction Partnership Program (CPP), which focuses specifically on partnering with contractors and builders to address the unique issues of the construction industry. The Division of Education and Training also offers OSH Strategic Partnerships (OSP). This program is designed to broaden the impact of cooperative programs on worker safety and health by reaching out to groups of employers, employees, and labor organizations.

FUNDING SOURCE: The funding for the Division of Occupational Safety and Health, Education and Training comes from restricted agency dollars (62 percent) collected through assessments from the **Kentucky Workers' Compensation Funding Commission as described in KRS 342.122 and federal** funding (38 percent) derived from a grant from the U.S. Department of Labor, Occupational Safety and Health Administration.

APPLICABLE STATUTES: The Division of Occupational Safety and Health, Education, and Training operates under the authority of KRS 342. KRS 388 (passed by the 1972 General Assembly) created the statutory authority for the Kentucky Occupational Safety and Health Plan submission under CFR 29, Section 18 C of the *Occupational Safety and Health Act of 1970*. On July 31, 1973 the state plan was approved for the development stage by the U.S. Department of Labor and a determination of final program approval was made under section 18(e) of the Act on July 22, 1985.

PROGRAM STATUS: The Kentucky Occupational Safety and Health Consultation Industrial Hygiene Training and Safety Training program is delivered by using highly qualified occupational safety and health professionals to help employers detect potential hazards at their worksite, and to establish and maintain safe and healthful workplaces. The consultation program is completely voluntary. The program does not issue citations with penalties, but employers are required to correct all identified hazards as a condition of receiving program services.



The Division of Occupational Safety and Health Education and Training's function is to assist private and public sector employers in the Commonwealth. This is primarily accomplished by providing cost-free consultative services and training programs to its clients. These activities should be understood to serve both moral and economic functions, as their goal is to prevent and minimize injuries and illnesses suffered by employees. Left alone, workplace injuries and illnesses, aside from their resulting human tragedies, could amount to a significant economic hardship for employers. According to the most recent data provided by the National Safety Council, the average cost to employers (i.e., wage and productivity losses, medical expenses, and administrative expenses) is \$48,000 for each disabling injury, and \$1,290,000 for each fatal injury suffered by employees.

Over the 2013 fiscal year, the Division of Occupational Safety and Health Education and Training's consultants conducted over 270 consultative visits at worksites throughout the state, all at the request of employers. As a result, over 2000 serious hazards were identified and corrected. Assuming each hazard carried the potential to result in a disabling injury, and ignoring the potential for greater costs should the result be a fatal injury (consider to be in excess of \$1.2 million per incident on average), this equates to a savings of \$96 million overall for employers in the state, or over \$350,000 for each employer served by the Division. These on-site surveys covered approximately 18,260 individual employees across all industrial sectors except for Agriculture and Mining. Obviously, not all hazards will result in injury or illness, but even a 10% reduction would amount to a savings of about \$10 million for employers for example.

In keeping with the understanding that education is the key to preventing workplace injuries and illness, the Division of Occupational Safety and Health Education and Training put significant effort into providing safety and health training for employers. Training seminars were conducted both onsite upon employer request, and in population centers (e.g., Louisville, Lexington, Bowling Green, Owensboro, Ashland, etc.) throughout the calendar year, providing employers as much flexibility as possible to enroll their employees. For the 2013 fiscal year, the Division conducted over 230 training seminars, during which about 7,100 business owners, managers, and employees received cost-free training concerning a wide variety of topics, such as accident investigation, recordkeeping, hazardous chemicals, and electrical safety. The agency has added internet-based training to its educational services as well.

KYOSH IMPACT

The Incident Mobile Post and Consultation Training vehicle, dubbed KYOSH IMPACT, is a Class A state of the art multi-purpose motor coach specifically constructed to support the Division of Compliance and the Division of Education and Training. KYOSH IMPACT is equipped with satellite service, surveillance equipment, internal and external monitors, workstations, and a host of other devices that will serve the Kentucky OSH Program, employers, and employees throughout the Commonwealth. An incident response-outreach vehicle was a long range goal of the Cabinet and was made possible by a one-time federal grant.

As the name indicates, the vehicle will be deployed in response to occupational safety and health incidents and to support specialized strategic enforcement efforts. KYOSH IMPACT will also be utilized by the Division of OSH Education and Training for outreach to traditional and non-traditional Labor Cabinet partners. IMPACT provides a means to contact populations the Cabinet might not otherwise reach.



To date, the KYOSH IMPACT has been deployed to eighteen (18) events from one end of the state to the other participating in outreach efforts affecting more than 12,500 people.

Partnership Programs:

The Kentucky OSH Voluntary Partnership Branch is designed to recognize and promote effective, systematic safety and health management. The guiding principle of the Voluntary Partnerships Program is that management, labor and KY OSH work together in a spirit of cooperation and trust in pursuit of a safe and healthful workplace. The partnership helps to provide early detection of workplace safety issues and provides guidance in the resolution of same, while simultaneously forging lasting relationships between the partners.

The CPP (Construction Partnership Program) program continued to grow, with as many as 19 concurrent Partnership sites open at one time. Several were concluded during the July 2012 to June 2013 time frame, to include what turned out to be a successful partnership with Wilburn Construction at the new Eastern State Hospital site in Lexington. When combining all the projects in this time period, the total costs of the all partnership sites approached \$1 billion. In May 2013, the partnership program opened talks with Walsh Construction regarding the two Louisville bridge projects. CPP is expected to continue to grow and add more sites on a continual basis. The division is looking to add steps to the CPP that will help employers view it as a recognition program, making CPP even more enticing to employers in the construction industry. The CPP affects approximately 2,500 employees in the construction industry.

The Partnership branch is working with several companies, mentoring them towards VPP certification, and continues to train dozens of employees of these companies in the recognition, correction and control of hazards. There are currently 10 active VPP sites in KY affecting approximately 8,500 employees.

SHARP (Safety and Health Achievement Recognition Program) continues to gain interest and to grow steadily. There are currently 18 active SHARP sites in KY, with 4 new sites added within the past July to June fiscal year. The Partnership branch is currently working with several companies in varying phases of the SHARP process and expects to certify 3-4 more within the next few months.

Along with a training based partnership with the ECU OTI Outreach Center, our association based partnerships are:

Associated General Contractors of America	(AGC)
Builders Exchange of KY	(BX)
KY Association of Plumbing, Heating and Cooling Contractors	(KYPHCC)
KY Roofing Contractors Association	(KRCA)



Following is a list of all active Partnership sites for state year 2013:

SHARP COMPANIES

E.D. Bullard Co.	Cynthiana
Federal Mogul	Maysville
Makers Mark Co.	Loretto
Multicorr	Louisville
Uncle Charlie's Meats	Richmond
Washington Penn Plastics	Frankfort
American Woodmark	Monticello
Univance Company	Winchester
Zappos	Shepherdsville
Ceradyne	Lexington
Sun Products	Bowling Green
Gate Precast Inc.	Winchester
ADI Louisville	Louisville
National Office Furniture	Fordsville
Pittsburg Tank and Tower	Henderson
Roll Forming, Inc.	Shelbyville
3A Composites	Glasgow
SPP COMPANIES	
Stone Plastics	Cadiz



VPP Companies	
Dow Corning Corporation	Carrollton
GE Aircraft Engines	Madisonville
General Electric Lamp Plant	Lexington
GE Infrastructure Aviation	Erlanger
Hunter Douglas	Owensboro
International Paper	Bowling Green
L'Oreal (USA)	Florence
Performance Pipe	Williamstown
Raytheon Missile Systems	Louisville
GE Energy Services and Repair	Louisville



Construction Partnerships CPP

AGC	
Turner Construction	
Jekins-Essex	
DW Wilburn	
Kay & Kay JV Hayden Bridge	
Builders Exchange Training partnership	
Messer Construction Pikeville Med Center	
Meyer Construction Zappos expansion	
Codell Construction Franklin Co. Courthouse	
Scott Murphy Daniel NASCO manufacturing facility	
KY Assc. Of Plumbing, Heating and Cooling	
Congleton and Hacker	Central Baptist expansion

E-town site with city of E-town
 Eastern State Hospital, Lexington
 McCracken/Livingston Co.
 Louisville
 Pikeville
 Shepherdsville
 Frankfort
 Bowling Green
 Frankfort
 Lexington



29th Annual Governor's Safety and Health Conference and Exposition:

The Labor Cabinet, in conjunction with the Kentucky Safety and Health Network, Inc., presented the **29th Annual Governor's Safety and Health Conference and Exposition in Louisville on May 7-10, 2013**. The event, the largest safety and health exposition in the Commonwealth, featured pre-conference courses, concurrent workshops, and outstanding keynote speakers.

Scholastic Achievement for Education Awards, or "SAFE" awards, totaling nearly \$40,000 were presented at the conference to seventeen (17) university students enrolled in the areas of occupational safety and health, industrial hygiene, or a closely-related field. Kids Chance of Kentucky presented scholarships to children of Kentucky workers killed or seriously injured in work-related incidents.

Governor's Safety and Health Awards:

The Governor's Safety and Health Award provides special recognition for outstanding safety and health performance, and encourages development of programs designed to reduce and even eliminate occupational injuries and illnesses. The Governor's Safety and Health Award is given to employers and their employees who together have achieved the minimum required number of hours worked without experiencing a lost-time injury or illness.

The award is a certificate mounted on an attractive wooden plaque and signed by the governor, the secretary of the Labor Cabinet and the commissioner of the Department of Workplace Standards. **The award is presented at the recipient's establishment or at the annual Governor's Safety and Health Conference and Exposition.**

Twenty-four Kentucky employers were presented with the Governor's Safety and Health Award at this year's annual conference. An additional twenty-one companies were award at their facilities for a total of forty-five awards for the 2012-2013 award period. The combined total of hours worked without a lost-time injury or illness at these facilities is an astounding 57 million.

Online Learning

On January 31, 2012, the Labor Cabinet officially launched the electronic learning site located at Laborcabinettrain.ky.gov. This completely free, safety and health learning destination was developed 100% in-house by the employees of the Division of Education and Training. Anyone with a high-speed internet connection is able to view the ever-growing library of content that includes interactive modules, live webinars and recorded webinars. The website launched with 20 interactive modules covering a variety of the most popular and most requested training topics. Since that time, several live webinars have been produced and recorded and many additional learning modules have been published to the site.

Currently, there are more than 40 different courses available on the site. Since its inception, more than 14,000 learners have interacted with various learning opportunities on the website and that number continues to increase each day. Many of the current training modules are also available in Spanish.

Statistical Branch

The Kentucky Labor Cabinet's Statistical Services Branch works to provide quality data to the private and public sectors. The data is provided on a yearly basis and covers Occupational injuries



and illnesses. This branch has been very successful in 2012 on collecting data for The 2011 Occupational Injuries and Illnesses survey (SOII), the Census of Fatal Occupational Injuries (CFOI) and the OSHA Data initiative (ODI).

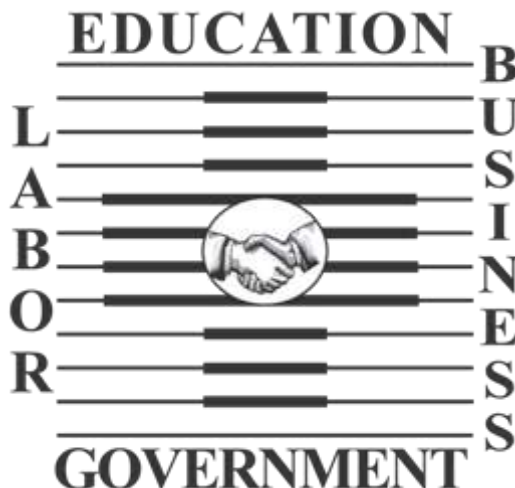
Each year the Statistical Services Branch conducts two surveys related to injury and illness statistics for the working men and women of the Commonwealth. The Survey of Occupational Injuries and Illnesses (SOII) and the OSHA Data Initiative (ODI) are mandatory surveys that are conducted nationwide. The branch conducts each of those surveys as well as the annual Census of Fatal Occupational Injuries (CFOI). All of these workplace injury surveys provide both state and nationwide data that can be used to identify trends and develop prevention strategies. Results of the SOII and CFOI surveys are published annually and are readily available to employers and employees via the Labor Cabinet website.

Funding for the ODI survey has been suspended for the current fiscal year. However, the Division of Education and Training has been able to stretch available resources to conduct a substantially similar survey in the Commonwealth so that valuable data will not be lost. It would be tragic to lose the data and moreover would render historical data less valuable due to gaps in the database. Injury and illness trend studies would be impossible, as changing technology and workforce demographics, among other factors, create dynamic-rather than static-injury and illness patterns.

The work of the Statistical Services Branch provides tremendously useful cost-free information to everyone involved in the business of injury and Illness prevention. The branch remained at the top of the region in terms of productivity and accuracy during 2012 and 2013 survey periods.

Injury and Illness Rate Update:

The total case rate for KY of 4.4 is holding steady compared to the national rate of 3.8 in 2011. The rates for 2012 have not been released.





PROGRAM AREA: THE DIVISION OF OCCUPATIONAL SAFETY AND HEALTH (OSH)

COMPLIANCE

DESCRIPTION: The Kentucky OSH Program was initially approved in 1973 and received final state plan approval on June 13, 1985. The primary purpose of the Program is to promote the safety, health, and general welfare of workers by ensuring that employers are preventing hazards to the safety and health of all employees arising from exposure to harmful conditions and practices in the work environment. The Program was further expanded on July 1, 1994 to improve safety and health practices in the workplace; to assure compliance with industrial health and safety regulations; and to expedite the processing of contested citations and appeals.

The General Assembly of Kentucky affirms that occupational accidents and diseases produce personal injuries and illness, including loss of life, as well as economic loss. Therefore, the enactment of legislation relative to the OSH Program declares that it is the purpose and policy of the Commonwealth to promote the safety, health and general welfare of its people covered by regulation by preventing any detriment to the safety and health of all employees, both public and private, arising out of exposure to harmful conditions and practices at places of work. In addition, the statutes declare that it is the intent of the OSH Program to preserve human resources by providing for education and training, inspection of workplaces, consultation services, research, reports and statistics and other means of furthering progress in the field of occupational safety and health. The key word in OSH regulation is "prevention". **Concentrated efforts continue daily to prevent workplace injuries, while inspections after an injury, illness, or fatality occurs serve to correct safety or health hazard violations.**

FUNDING SOURCE: The funding for the Division of Occupational Safety and Health Compliance is **derived from 34 percent federal funds and 66 percent Workers' Compensation Special Fund assessments.** The Occupational Safety and Health Compliance program is supported by federal grants **from the U. S. Department of Labor and restricted funds from the Workers' Compensation Funding Commission pursuant to KRS 342.122.**

APPLICABLE STATUTES: The Department of Workplace Standards, Division of Occupational Safety and Health Compliance operates under the authority of KRS 336, 338, 342.

PROGRAM INFORMATION: Through a Safety Inspection Branch and a Health Inspection Branch, the Division maintains a field staff of safety compliance officers and industrial hygienists who conduct inspections of workplaces in which hazardous conditions are identified, violations of safety and health standards are cited and abatement dates are assigned. In some cases, penalties and fines are assessed for violations. Penalties collected by the Division of OSH are returned to the General Fund. However, no General Fund dollars are allocated to the Division. In FY 2013, OSH inspectors issued citations carrying \$3,514,295 in penalties and collected \$2,094,125.32 in penalties that were deposited into the General Fund.



Increased Emphasis to Reach Latino Workers in Kentucky: This past year the division assessed the Latino population in Kentucky and the need to serve that population. As a result, the Post inspection guide was translated and printed in both English and Spanish. This document, left with each employer after an inspection, more clearly defines in the native language the process Labor Cabinet employees have communicated, timelines, and appeal procedures. Also during the year, a second bi-lingual CSHO was hired, giving the division of compliance the ability to better verbally communicate, out on the sites.

Management Information System: This past Fiscal Year, OSH Compliance and Consultation purchased and implemented a custom made database that has made a significant contribution to the division of OSH compliance. The implementation of this database has added features that places our program at the cutting edge, and gives Kentucky OSH managers the tools that will be essential going forward and identifying areas for improvement. The system went live December 14, 2012, and is a more effective and efficient operational system.

In FY 2012-2013, the Division of Compliance conducted 201 total reported imminent danger inspections. These inspections usually involve fall, excavation, electrocution, asbestos, carbon monoxide, and confined space hazards. The Division must respond to such imminent danger reports within 1 working day of receipt.

The Division of OSH Compliance received 53 fatality reports in FY 2012-2013. Of those reports, 22 fatality investigations were conducted while the remaining 31 were due to natural causes or criminal acts. The Division must respond to fatality reports within 1 working day of receipt.

During FY 2012-2013, Kentucky conducted 475 construction inspections, as identified by SIC codes from OSH-1 forms. Compliance remains focused on fall protection as the top construction standard cited in Kentucky during FY 2012-2013. In FY 2012-2013, Kentucky cited 29 CFR 1926.501 (duty to have fall protection) a total of 143 times with a total proposed penalty of \$1,513,050.00.

The Kentucky Division of Compliance has entered into an arrangement with the Division of Air Quality in the Department for Environmental Protection in the Energy and Environment Cabinet to alert OSH to asbestos removal conducted in the Commonwealth. Employers are required to notify the Division of Air Quality 10 days in advance of any job involving asbestos removal.

The Division of Compliance also receives notices of injuries involving occupational-related toxins **and poisons from The Kentucky Regional Poison Center of Kosair Children's Hospital.** These notices have alerted the Division of Compliance to events it might not otherwise have learned. These notices resulted in citations and penalties. This informal arrangement and notices provide a mechanism to protect employees from future exposures.



Kentucky extended the National Emphasis Program (NEP) for the petrochemical industry and adopted the Chemical safety NEP also.

The Division of Compliance is also responsible for the enforcement of the state's occupational safety and health anti-discrimination provisions. KRS 338.121(3) offers protection to employees from reprisals that could result from the exercise of rights afforded by the occupational safety and health statutes. A system of citations and penalties, appeals to the OSH Review Commission and reinstatement authority by the Commissioner, while final determination is pending before the Review Commission, distinguish the Kentucky anti-discrimination effort. In addition, 803 KAR 2:240 allows any employee who believes he/she has been the victim of discrimination the right to file a complaint within 120 days of the alleged violation, as opposed to the thirty (30) days allowed by federal law. The Division of Compliance received 121 alleged discrimination complaints in FY 2013. The Division opened 56 alleged discrimination complaints and referred 42 complaints to other agencies or did not accept the discrimination complaints for investigation. Of the 70 investigations completed, 7 were issued with citations and penalties, 2 were settled, 58 were unfounded. The average time to complete a discrimination investigation is approximately 70 days.



PROGRAM AREA: DIVISION OF WORKERS' COMPENSATION FUNDS

DESCRIPTION: Pursuant to KRS 342.120, the Division of Workers' Compensation Funds is responsible for the administration of the special fund (Kentucky's "abolished" second injury fund) and the Kentucky coal workers' pneumoconiosis fund, including the maintenance of payment records. The division is headed by a director who oversees a professional administrative staff of six full-time employees.

FUNDING SOURCE: Appropriations for the special fund are derived from assessments against workers' compensation insurance premiums (or simulated premiums for self-insurance) paid by all Kentucky employers pursuant to KRS 342.122. The coal fund is funded entirely by employers engaged in the severance or processing of coal through assessments against workers' compensation insurance premiums (or simulated self-insurance premiums) and assessments against tons of coal severed pursuant to KRS 342.1242. All assessments are collected, managed and invested by the Kentucky Workers' Compensation Funding Commission pursuant to KRS 342.122; 342.1223; and 342.1242.

APPLICABLE STATUTES: The Division of Workers' Compensation Funds is operating under the authority of KRS 342.120; KRS 342.1242; KRS 342.732, and 803 KAR 25:009, Section 7.

PROGRAM STATUS: Major reform legislation in 1996, known as House Bill 1, abolished special fund liability for injuries (and for diseases, last injurious exposures) occurring after December 12, 1996. However, the reform legislation did not affect the incurred liability of the fund (actuarially valued at \$1.0798 billion 06/30/2013), and the ongoing obligation to pay income benefits to beneficiaries who have awards against the special fund. Division records reflect that the fund has liability in 8,544 open claims, nearly all of which are payable for the life of the injured worker. Thus, even though fund liability as described above has been abolished, the Division will pay special fund income benefits for incurred liability well into this century.

The 1996 Reform Bill also created the coal workers' pneumoconiosis fund (coal fund) to assure that liabilities for coal workers' pneumoconiosis resulting from last exposures after December 12, 1996, be the financial responsibility of employers engaged in the severance and processing of coal. (See KRS 342.1241.) Beneficiaries of the coal workers' pneumoconiosis fund are Kentucky coal miners with a compensable form of coal workers' pneumoconiosis and a last exposure to occupational coal dust after December 12, 1996. The coal fund is liable for one-half of awarded income and retraining benefits, payable contemporaneously with employer paid benefits. (See KRS 342.1242.)

Pending and new coal workers' pneumoconiosis claims were placed in abeyance from April, 2010, to June, 2012, because of constitutional problems with the claims resolution procedure. (See Vision Mining, Inc. v. Gardner, 364 S.W.3d 455 (Ky. 2011)). Consequently, claims activity and benefit expense for the coal fund were lower than expected in FY 2013. However, claims are now being resolved at a faster (and more normal) pace. Several hundred claims are still pending resolution under the revised procedures, and coal fund claims and benefit expense may increase sharply over the next two years. Accordingly, management plans to request a substantial increase in the coal



fund's benefit budget for the fiscal period covering FY 2015 and FY 2016. The amount to be requested will be determined later this year after an actuarial analysis of coal fund liabilities is completed by early September, 2013.

Legislative reform of the black lung compensation law may be considered in the 2014 regular session of the Kentucky General Assembly. Changes impacting coal fund liabilities will require analysis, and possible further budget adjustments later in 2014.

Table 1.

Special Fund	Fiscal Year 2011-2012	Fiscal Year 2012-2013
Benefits Paid	\$65,110,403	\$61,197,463
Average Benefit Payments Per Month	13,560	12,649

Table 2.

Coal Fund	Fiscal Year 2011-2012	Fiscal Year 2012-2013
Benefits Paid	\$1,095,203	\$1,362,447
Average Benefit Payments Per Month	240	232
New Awards/Settlements	6	6



PROGRAM AREA: DEPARTMENT OF WORKERS' CLAIMS

DESCRIPTION: The Department of Workers' Claims is responsible for administering the workers' compensation system for the Commonwealth, and the approximately 2.1 million employees, ensuring fair treatment of persons injured on the job, and restoring injured persons to gainful employment expeditiously. This goal is accomplished through a complex system of administration, regulation, and adjudication. This goal is accomplished through a complex system of administration, enforcement, and adjudication.

The original Workers' Compensation Act was adopted in 1916, whereby employees were granted replacement income and medical services for disability arising from on-the-job accidents. In exchange, employers were afforded immunity from common lawsuits. Over the past 94 years, the Workers' Compensation Program has undergone major changes.

The most recent significant changes occurred in 1996, with some important modifications in 2000. This has provided a level of stability to the analysis of entitlement to benefits. This stability is beneficial to both employees and employers. Court decisions interpreting portions of the statute have raised some concerns, but generally applicable law has remained remarkably stable in this ten to fourteen year period.

Efforts to impact the system by reducing litigated claims, increasing certainty of entitlement to income benefits and objectively controlling medical expenses demonstrated reduced costs to Kentucky employers during the early years. Unfortunately with rising medical costs a steady increase in the total cost of the system began to take place. However, since 2008 fewer injuries resulting in fewer claims and only slight increases in costs per claim have enabled the overall cost of the system to decrease by more than twenty percent (20%). Continued efforts to manage increasing medical costs by emphasizing quality, and not merely quantity, should reduce costs even further.

Upholding the purpose of expeditiously delivering fair and reasonable wage and medical benefits to injured workers at a manageable cost to the employer remains the overriding goal in the oversight of Kentucky's workers' compensation system.

The Department of Workers' Claims is headed by a Commissioner, who is appointed by the Governor and confirmed by the Senate. The Commissioner acts as the appointing authority for the Department. In addition to the Office of the Commissioner, the Department is comprised of the Office of General Counsel; the Workers' Compensation Board; the Office of Administrative Law Judges; the Division of Claims Processing; the Division of Security and Compliance; the Division of Information and Research; and the Division of Ombudsmen and Workers' Compensation Specialist Services.



The primary objectives of the Department of Workers' Claims is the competent and responsive delivery of services to stakeholders; the desire to foster stakeholder knowledge of their rights and responsibilities under the Worker's Compensation Act; to insure the prompt delivery of statutory benefits including medical services and indemnity payments; to include the stakeholder in the development of policy and delivery mechanisms that will expedite the delivery of benefits and services to the injured worker; to provide the public and policy makers with accurate and current indicators of program performance; and to anticipate changes in the Program environment and to respond appropriately.

FUNDING SOURCES: The funding for the administration of the Department of Workers' Claims is restricted agency receipts provided by assessments against workers' compensation insurance premiums (or simulated premiums for self-insurance paid by all Kentucky employers pursuant to KRS 342.122). All assessments are collected, managed, invested and disbursed by the Kentucky Workers' Compensation Funding Commission pursuant to KRS 342.122; KRS 342.1223; and KRS 342.1242.

APPLICABLE STATUTES: The Department of Workers' Claims within the Kentucky Labor Cabinet operates under the authority of KRS 11, 342, 336.

PROGRAM STATUS: The Commissioner of the Department of Workers' Claims, under the directive of KRS 342.230(2) and KRS 342.435, will prepare and file an agency report for submission to the Governor under separate cover.





PROGRAM AREA: THE OFFICE OF GENERAL ADMINISTRATION AND PROGRAM SUPPORT

DESCRIPTION: The Office of General Administration and Program Support (GAPS) includes the Office of the Executive Director, the Division of Human Resources Management, the Division of Fiscal Management, the Division of Budgets and the Division of Information Services. The Office of the Executive Director is responsible for final administrative and programmatic decision-making with regard to GAPS. However, GAPS is affixed to the Labor Cabinet for administrative purposes only and the Labor Cabinet Secretary serves as the appointing authority for the Office. GAPS serves as the administrative, personnel, fiscal, budget and technology support arm for the Labor Cabinet, the Public Protection Cabinet, and the Energy and Environment Cabinet.

FUNDING SOURCE: GAPS is funded with 42 percent restricted agency receipts, 57 percent General Fund dollars and one (1) percent federal funds.

APPLICABLE STATUTES: KRS 342 and 12.050.

PROGRAM STATUS: The Executive **Director's office provides leadership and direction for each** of the four divisions within GAPS and the Operations Branch. The Operations Branch **administers the Cabinets' motor pool, manages the Cabinets' fuel card program, establishes** policies for vehicle operation and coordinates with the Department of Insurance to ensure the vehicles have proper coverage.

Matters relative to lease and rental properties and equipment are also managed by the Operations Branch. This includes the state-owned facilities occupied by the Cabinets, as well as office and storage space and lands leased.

With the exception of the Labor Cabinet, the Operations Branch also maintains all the Cabinets' contracts for cell phones and other mobile communications equipment. Installation and maintenance of the Cabinets' office telephone systems and wiring of office computer systems is performed by the Branch as well.

GAPS/DIVISION OF FISCAL MANAGEMENT: The Division of Fiscal Management was established to provide oversight, direction and support to the three cabinets. The Division is assigned pre-audit authority for the three cabinets' numerous divisions and offices. In addition, the Division acts as liaison with the Finance and Administration Cabinet, the Legislative Research Commission, federal awarding agencies and the Auditor of Public Accounts.

The Division of Fiscal Management oversees all centralized accounting and purchasing functions of the three cabinets. The Division consists of the Director's Office and three branches. The Director serves as fiscal officer and eMARS security lead for the three cabinets.



Additional responsibilities include negotiating an indirect cost plan, answering audit inquiries, issuing specialized reports, coordinating fiscal year-end closing and maintaining centralized fiscal documents according to the Library and Archives agreement.

GAPS/DIVISION OF HUMAN RESOURCES:

The Division of Human Resources Management administers personnel policies, payroll policies and processing procedures, employment and development training and employee relations for 3,000 plus employees. The purpose of the Division is multifaceted, but can generally be divided into three categories:

1. Ensure legal compliance with state and federal employment law, including training in compliance;
2. Provide human resources guidance and assistance to over 500 EEC and PPC supervisors and management staff; and,
3. Provide human resources guidance and administration to 3,000 EEC, PPC, and Labor Cabinet employees.

The Division is comprised of the Director's Office and three branches; the Personnel Branch, the Payroll Branch and the Training and Recruitment Branch.

The Director's Office, in addition to managing the coordination of the following three branches, reviews and approves the recommendations from those branches, participates in resolving Cabinet disciplinary issues, provides human resources advice to executive management, performs special projects for the Office of the Secretary and the Executive Director of GAPS, provides leadership to improve the human resources process and climate in the Cabinet, acts as a liaison with the Personnel Cabinet, supervises and directs reports and other duties.

The Personnel Branch provides human resources advice to employees and managers, reviews all requests for personnel and position actions for legal and policy compliance, reviews and processes all requests to fill positions, monitors compliance with the employee evaluation system, interfaces with the Personnel Cabinet to ensure timely processing of personnel/position actions and advises Director and executive management of human resources issues in assigned agencies.

The Payroll Branch provides payroll and benefits administration services to employees and supervisors, assures semi-monthly paychecks are accurate, handles employee deductions and taxes, keeps official leave balances, reconciles payroll issues, facilitates special checks through the Personnel Cabinet and Treasury, provides administration of state life and health insurance programs and administers Family Medical Leave (FMLA) and sick leave sharing programs.



The Training and Recruitment Branch provides advice to employees and managers relating to requests for outside training and educational assistance, determines Cabinet training needs, develops and conducts in-house training, conducts new employee orientation, provides training relating to EEO issues and Title VII compliance, provides training and disseminates information regarding Cabinet policies and procedures and assists in recruiting to improve diversity in the **Cabinet's workforce and to fill highly technical positions.**

The Division of Human Resources is conducting intensive compliance training on federal employment law; including diversity; equal employment opportunity; equal pay; anti-discrimination; anti-harassment and workplace violence for all three cabinets. Managers are also receiving training on public employment law, specifically KRS 18A, 101 KAR, and Ethics Policies.

GAPS/DIVISION OF BUDGETS:

The Division of Budgets has the responsibility of providing executive direction and leadership for budgeting and financial resources within the three cabinets. The Division has the responsibility of developing, implementing and maintaining the Cabinet budget and financial policy. The budget analysts advise commissioners, executive officers, division directors and agency staff regarding budget development, understanding policy, implementation, maintenance, modification and historical data. Each analyst is assigned specific departments/agencies with the three cabinets. The Division Director plans finances and advises the cabinet secretaries and other executive staff on budget development, policy, implementation, maintenance, modification, historical data and directs and manages the Division of Budgets.

The Division of Budgets serves as liaison to the Office of the State Budget director (OSBD) and the Legislative Research Commission (LRC). The Division is responsible for preparation and update of the Cabinet Biennial Budget, operating budgets, Six-Year Capital Budget Plan and capital projects. Most agencies assign employees as contacts to provide the Division of Budgets with input concerning their budgetary needs, but all final budget development and oversight is done in the Division at Cabinet level.

GAPS/DIVISION OF INFORMATION SERVICES:

The Energy and Environment Cabinet and the Public Protection Cabinet are supported by the Division of Information Services. The Labor Cabinet is supported by its own Information **Technology Branch and receives no services from the Division. The Division's primary goal is to** provide information technology support and facilitate the permitting, inspection, enforcement and other core business activities of the two cabinets served. The Division establishes information technology policies based on administrative priorities, the requirements under state and federal laws and regulations, legislative initiatives and the concerns of private citizens.

The Division of Information Services support includes over 2,275 desktop and laptop computers and over 200 servers. This equipment and the necessary operating system and office system software is monitored, maintained and updated by a staff of 13 technical, three (3)



administrative and two (2) contract employees. To meet the Division's mission, the structure includes the Operations and Network Branch, the Application Analysis and Development Branch and the Geographic Information Branch.

Since this division does not support the Labor Cabinet, accomplishments of this Division will be further highlighted in the Annual Reports of the Energy and Environment Cabinet and the Public Protection Cabinet.



PROGRAM AREA: OFFICE OF INSPECTOR GENERAL

DESCRIPTION: Defined in its mission statement, the Office of Inspector General (OIG) works to prevent, identify, and eliminate fraud, waste, abuse and mismanagement within the Labor, Public Protection and Energy and Environment Cabinets. There are a few interesting twists to this agency created in 1999 and attached to the Office of the Secretary of the Labor Cabinet for administrative purposes only. (KRS. 336.015(3)(j)). First, OIG is charged with investigating environmental crimes in addition to its other duties. Second, OIG is part of a shared services arrangement along with the **Office of General Administration and Program Support Shared Services (GAPS). "Shared Services"** is a relatively new concept in state government. GAPS and OIG are the only shared service agencies in the Commonwealth. **This arrangement is part of a growing trend nationally in an "effort to conserve limited resources, eliminate duplication, and provide a uniform management system"** to support three, independent cabinets. (Memorandum of Agreement Among Energy and Environment Cabinet, Labor Cabinet, and Public Protection Cabinet, June 2010).

FUNDING SOURCE: Funding for this office is derived 61 percent from General Fund dollars and 39 percent from restricted agency receipts collected from assessments levied against workers' compensation insurance premiums (or simulated premiums) per KRS 342.122.

APPLICABLE STATUTES: KRS 336.015(3)(j); Memorandum of Agreement Among Energy and Environment Cabinet, Labor Cabinet, and Public Protection Cabinet, June 2010.

PROGRAM STATUS: OIG investigates violations of KRS Chapters 18A, 149, 151, 224, and 350 (including violations of Kentucky Administrative Regulations (KAR), Titles 101, 400 through 402, and 405, and 802 through 825 promulgated pursuant to the Kentucky Revised Statutes). Personnel investigations identify wrongdoing by some employees and clear others of unfounded allegations. **OIG's investigative reports are presented to the Secretaries of the Cabinets for their review as well** as the Office of Legal Services. Violations of policies, statutes or regulations may result in private or public reprimands or dismissal. Some violations are referred to the Executive Branch Ethics Commission while others are referred for criminal prosecution either in Franklin County or in the county wherein the alleged criminal activity took place. OIG criminal investigations have resulted in convictions for misuse of confidential information, official misconduct, theft, possession of a forged instrument, illegal dumping and other violations of environmental regulations and statutes.



Kentucky Labor Cabinet FY 2012-13 Budget and Personnel Positions

	Final Budget FY 2012-13	Capped Positions (Permanent Full-Time)
Office of the Secretary(Department 102)		
Secretary's Office	\$ 978,800.00	7
Division of Management Services	\$ 2,445,400.00	25
Office of General Counsel	\$ 1,321,100.00	<u>13</u>
	\$ 4,745,300.00	45
Department of Workplace Standards (Department 106)		
Commissioner's Office	\$ 423,600.00	4
Division of Employment Standards	\$ 1,721,000.00	26
Division of Compliance	\$ 4,768,800.00	53
Division of Education & Training	\$ 5,356,700.00	54
Division of Workers' Compensation Fund	\$ 70,672,000.00	<u>8</u>
	\$ 82,942,100.00	145
Department of Workers' Claims(Department 107)		
Commissioner's Office	\$ 2,481,000.00	21
Division of Information & Research	\$ 1,764,000.00	25
Division of Claim Processing	\$ 1,195,300.00	19
Office of Administrative Law Judges	\$ 5,906,200.00	53
Division of Security & Compliance	\$ 1,794,700.00	27
Workers' Compensation Board	\$ 1,031,300.00	9
Division of Ombudsman & WC Specialist	\$ 1,206,300.00	16
Office of General Counsel Workers' Claims	\$ 566,700.00	<u>7</u>
	\$ 15,945,500.00	177
SOURCE OF FUNDS:		

According to KRS 342.122, a special fund assessment may be levied on the amount of workers' compensation insurance premiums and simulated premiums on self-insured employers to pay for administrative costs of the Labor Cabinet except for the Division of Employment Standards, Apprenticeship and Mediation and the Coal Workers' Pneumoconiosis Fund. Funding for the Coal Workers' Pneumoconiosis Fund is provided by an assessment of the workers' compensation insurance premiums paid by employers engaged in the severance and processing of coal and an assessment of the tons of coal severed. The funding for the Division of Employment Standards, Apprenticeship and Mediation is provided by a general fund appropriation. Approximately 34% of the Occupational Safety and Health programs are funded by federal grants U.S. Department of Labor.



Kentucky Labor Cabinet FY12-13 Annual Report

RECEIPTS

Office of the Secretary (Department 102) Rollup

Restricted Fund Carry-Forward from FY 2012	\$	477,379.83	
Transfers From Worker Comp Funding Commission	\$	3,321,000.00	
Prior Year Refunds	\$	-	
General Sales	\$	2,602.65	
Misc. Donations	\$	1,044.42	
Transferred Fund by GAPS for Indirect Cost	\$	26,433.03	
Total Insurance Administration Funds	\$	3,828,459.93	
Federal Fund Carry-Forward from FY 2012	\$	6,870.37	
Transfer from U.S. Department of Labor	\$	222,590.77	
Off-Budget transactions	\$	(26,433.03)	
Total Federal Funds	\$	203,028.11	
Office of the Secretary (Department 102) Totals			\$ 4,031,488.04

Secretary's Office

Insurance Administration Funds

Restricted Fund Carry-Forward from FY 2012	\$	65,040.58	
Transfers From Worker Comp Funding Commission	\$	621,000.00	
Prior Year Refunds	\$	-	
General Sales	\$	-	
Misc. Donations	\$	1,044.42	
Transferred Fund by GAPS for Indirect Cost	\$	-	

Federal Funds

Federal Fund Carry-Forward from FY 2012	\$	-	
Transfer from U.S. Department of Labor	\$	-	

Secretary's Office Total Receipts **\$ 687,085.00**

Division of Management Services

Insurance Administration Funds

Restricted Fund Carry-Forward from FY 2012	\$	289,232.38	
Transfers From Worker Comp Funding Commission	\$	1,931,000.00	
Prior Year Refunds	\$	-	
General Sales	\$	-	
Misc. Donations	\$	-	
Transferred Fund by GAPS for Indirect Cost	\$	-	

Federal Funds

Federal Fund Carry-Forward from FY 2012	\$	-	
Transfer from U.S. Department of Labor	\$	-	

Division of Management Services Total Receipts **\$ 2,220,232.38**

Office of General Counsel

Insurance Administration Funds

Restricted Fund Carry-Forward from FY 2012	\$	123,106.87	
Transfers From Worker Comp Funding Commission	\$	769,000.00	
Prior Year Refunds	\$	-	
General Sales	\$	2,602.65	
Misc. Donations	\$	-	
Transferred Fund by GAPS for Indirect Cost	\$	26,433.03	

Federal Funds

Federal Fund Carry-Forward from FY 2012	\$	6,870.37	
Transfer from U.S. Department of Labor	\$	222,590.77	
Off-Budget transactions	\$	(26,433.03)	

Office of General Counsel Total Receipts **\$ 1,124,170.66**



EXPENDITURES

Office of the Secretary

	Personnel	3,242,995.05	
	Operating	450,634.31	
	Awards	-	
	Capital Outlay	-	
Total Expenditures		\$ 3,693,629.36	

Secretary's Office

	Personnel	557,055.86	
	Operating	86,388.69	
	Awards	-	
	Capital Outlay	-	
Total Expenditures		\$ 643,444.55	

Management Services

	Personnel	1,760,179.11	
	Operating	247,095.23	
	Awards	-	
	Capital Outlay	-	
Total Expenditures		\$ 2,007,274.34	

Labor General Counsel

Restricted Funds

	Personnel	925,760.08	
	Operating	117,150.39	
	Awards	-	
	Capital Outlay	-	
Total Expenditures		\$ 1,042,910.47	

**RECEIPTS****Department of Workplace Standards**

Total General Funds		\$ -	
Carry-Forward from FY 2012	\$ 80,372.87		
Transfers From Worker Comp Funding Commission	\$ 2,778,000.00		
Transfer of Cash to GAPS	\$ -		
Prior Year Refunds	\$ -		
Insurance Reimbursements	\$ -		
Other Receipts	\$ -		
Indirect Cost	\$ -		
Transferred Fund by GAPS for Indirect Cost	\$ -		
Insurance Administration Funds		\$ 2,858,372.87	
Carry-Forward from FY 2012	\$ 62,390.92		
Transfer from U.S. Department of Labor	\$ 1,727,767.00		
Federal Funds		\$ 1,790,157.92	
Department of Workplace Standards (Department 106) Totals		\$ 4,648,530.79	

WPS Commissioner's Office

Total General Funds		\$ -	
Carry-Forward from FY 2012	\$ 35,162.75		
Transfers From Worker Comp Funding Commission	\$ 348,000.00		
Transfer of Cash to GAPS	\$ -		
Prior Year Refunds	\$ -		
Insurance Reimbursements	\$ -		
Other Receipts			
Transferred Fund by GAPS for Indirect Cost	\$ -		
Total Insurance Administration Funds		\$ 383,162.75	
Carry-Forward from FY 2012	\$ -		
Transfer from U.S. Department of Labor	\$ -		
Total Federal Funds		\$ -	
Commissioner's Office Total Receipts			\$ 383,162.75

Compliance

Total General Funds		\$ -	
Carry-Forward from FY 2012	\$ 45,210.12		
Transfers From Worker Comp Funding Commission	\$ 2,430,000.00		
Transfer of Cash to GAPS	\$ -		
Prior Year Refunds	\$ -		
Insurance Reimbursements	\$ -		
Other Receipts			
Transferred Fund by GAPS for Indirect Cost	\$ -		
Total Insurance Administration Funds		\$ 2,475,210.12	
Carry-Forward from FY 2012	\$ 62,390.92		
Transfer from U.S. Department of Labor	\$ 1,727,767.00		
Total Federal Funds		\$ 1,790,157.92	
Compliance Total Receipts			\$ 4,265,368.04



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Employment Standards							
		Total General Funds		1721000.00			
		Carry-Forward from FY 2012	0.00				
		Transfers From Worker Comp Funding Commission	0.00				
		Transfer of Cash to GAPS	0.00				
		Prior Year Refunds	0.00				
		Insurance Reimbursements	0.00				
		Other Receipts	0.00				
		Transferred Fund by GAPS for Indirect Cost	0.00				
		Total Insurance Administration Funds		0.00			
		Carry-Forward from FY 2012	0.00				
		Transfer from U.S. Department of Labor	0.00				
		Total Federal Funds		0.00			
		Employment Standards Total Receipts			1721000.00		
Special Fund							
		Total General Funds		0.00			
		Carry-Forward from FY 2012	3622293.00				
		Transfers From Worker Comp Funding Commission	62118000.00				
		Transfer of Cash to GAPS	-1371400.00				
		Prior Year Refunds	0.00				
		Insurance Reimbursements	904906.50				
		Other Receipts	290610.33				
		Transferred Fund by GAPS for Indirect Cost	0.00				
		Total Insurance Administration Funds		65564409.83			
		Carry-Forward from FY 2012	0.00				
		Transfer from U.S. Department of Labor	0.00				
		Total Federal Funds		0.00			
		Special Fund Total Receipts			65564409.83		
Coal Workers Pneumconiosis Fund							
		Total General Funds		0.00			
		Carry-Forward from FY 2012	82855.94				
		Transfers From Worker Comp Funding Commission	1274000.00				
		Transfer of Cash to GAPS	0.00				
		Prior Year Refunds	0.00				
		Insurance Reimbursements	0.00				
		Other Receipts	448468.66				
		Transferred Fund by GAPS for Indirect Cost	0.00				
		Total Insurance Administration Funds		1805324.60			
		Carry-Forward from FY 2012	0.00				
		Transfer from U.S. Department of Labor	0.00				
		Total Federal Funds		0.00			
		Coal Workers Pneumconiosis Fund Total Receipts			1805324.60		



EXPENDITURES

Department of Workplace Standards

Personnel	9,256,678.87
Operating	2,173,696.84
Awards	62,783,232.77
Capital Outlay	-
Total Expenditures	\$ 74,213,608.48

Commissioner's Office

Personnel	313,949.51
Operating	33,682.30
Awards	-
Capital Outlay	-
Total Expenditures	\$ 347,631.81

Compliance

Personnel	3,086,100.92
Operating	871,631.34
Awards	223,323.00
Capital Outlay	-
Total Expenditures	\$ 4,181,055.26

Education & Training

Personnel	3,768,641.09
Operating	926,391.28
Awards	-
Capital Outlay	-
Total Expenditures	\$ 4,695,032.37

Employment Standards

Personnel	1,510,100.00
Operating	210,900.00
Awards	-
Capital Outlay	-
Total Expenditures	\$ 1,721,000.00

Special Fund

Personnel	528,236.75
Operating	128,666.31
Awards	61,197,463.06
Capital Outlay	-
Total Expenditures	\$ 61,854,366.12

Coal Workers' Pneumoconiosis Fund

Personnel	49,650.60
Operating	2,425.61
Awards	1,362,446.71
Capital Outlay	-
Total Expenditures	\$ 1,414,522.92



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<u>RECEIPTS</u>			
<u>Department of Workers' Claims</u>			
Insurance Administration Funds			
Carry-Forward from FY 2012	\$	1,169,925.53	
Transfers From Worker Comp Funding Commission	\$	14,995,000.00	
Prior Year Refunds	\$	-	
General Services to Other St Agency	\$	3,960.00	
General Sales	\$	167,495.88	
Department of Workers' Claims (Department 107) Totals		\$	16,336,381.41
<u>Commissioner's Office</u>			
Insurance Administration Funds			
Carry-Forward from FY 2012	\$	211,770.82	
Transfers From Worker Comp Funding Commission	\$	1,962,000.00	
Prior Year Refunds	\$	-	
General Services to Other St Agency	\$	-	
General Sales	\$	167,494.88	
Commissioner's Office Total Receipts			\$ 2,341,265.70
<u>Division of Information & Research</u>			
Insurance Administration Funds			
Carry-Forward from FY 2012	\$	118,425.23	
Transfers From Worker Comp Funding Commission	\$	1,785,000.00	
Prior Year Refunds	\$	-	
General Services to Other St Agency	\$	-	
General Sales	\$	-	
Division of Information & Research Total Receipts			\$ 1,903,425.23
<u>Division of Claims Processing</u>			
Insurance Administration Funds			
Carry-Forward from FY 2012	\$	106,583.43	
Transfers From Worker Comp Funding Commission	\$	1,050,000.00	
Prior Year Refunds	\$	-	
General Services to Other St Agency	\$	-	
General Sales	\$	-	
Division of Claims Processing Total Receipts			\$ 1,156,583.43
<u>Office of Administrative Law Judges</u>			
Insurance Administration Funds			
Carry-Forward from FY 2012	\$	267,498.07	
Transfers From Worker Comp Funding Commission	\$	5,815,000.00	
Prior Year Refunds	\$	-	
General Services to Other St Agency	\$	-	
General Sales	\$	-	
Office of Administrative Law Judges Total Receipts			\$ 6,082,498.07
<u>Division of Security & Compliance</u>			
Insurance Administration Funds			
Carry-Forward from FY 2012	\$	184,590.07	
Transfers From Worker Comp Funding Commission	\$	1,614,000.00	
Prior Year Refunds	\$	-	
General Services to Other St Agency	\$	3,960.00	
General Sales	\$	1.00	
Division of Security & Compliance Total Receipts			\$ 1,802,551.07
<u>Workers' Compensation Board</u>			
Insurance Administration Funds			
Carry-Forward from FY 2012	\$	92,164.05	
Transfers From Worker Comp Funding Commission	\$	1,045,000.00	
Prior Year Refunds	\$	-	
General Services to Other St Agency	\$	-	
General Sales	\$	-	
Workers' Compensation Board Total Receipts			\$ 1,137,164.05
<u>Division of Ombudsman & WC Specialist</u>			
Insurance Administration Funds			
Carry-Forward from FY 2012	\$	140,463.77	
Transfers From Worker Comp Funding Commission	\$	1,181,000.00	
Prior Year Refunds	\$	-	
General Services to Other St Agency	\$	-	
General Sales	\$	-	
Division of Ombudsman & WC Specialist Total Receipts			\$ 1,321,463.77
<u>Workers' Claims Office of General Counsel</u>			
Insurance Administration Funds			
Carry-Forward from FY 2012	\$	48,430.09	

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